

**Statement of the Honorable Dov S. Zakheim
Under Secretary of Defense (Comptroller)
House Budget Committee
16 October 2003**

Department of Defense Long-Term Budget Issues

Mr. Chairman, members of the Committee, I have prepared a statement to contribute to this important discussion of Department of Defense (DoD) long-term budget issues.

Cost and Consequences of Success in Iraq

As Congress continues work on President Bush's FY 2004 supplemental appropriations request, permit me to begin with several points regarding the budget impact of our operations of Iraq.

One paramount point is that building a stable and non-threatening Iraq is not, and will not be, a U.S.-only endeavor. It has been and continues to be a coalition of nations that removed Saddam Hussein and moved quickly toward enabling the Iraqi people to build a better future for themselves and for regional and global security. The U.S. and its coalition partners are working hard to increase the contributions of other nations to a goal that will benefit the entire global community. We are confident that these contributions will increase and will reduce the burden on our current coalition of nations.

Any estimate of the fiscal impact on the U.S. of operations in Iraq must take account of two major ways in which our burden in Iraq will be relieved.

First, America's burden will be eased by accelerating the contributions of the Iraqi people to their own security and future well-being. CENTCOM Commander General John Abizaid has stated that the key to success in Iraq is increasing the security role of the Iraqis themselves. That is a primary focus of the President's supplemental request and a primary focus of coalition leaders on the ground in Iraq. For example:

- About 70,000 Iraqis are now engaged in security operations, and another 13,000 are in or awaiting training. These include the police, border enforcement officers, Civil Defense Corps, Facility Protection Service, and New Iraq Army. Plans are for this total to grow to at least 170,000.
- More than 6,000 members of a new Iraq Civil Defense Corps are employed, and this should reach 15,000 by the end of 2004.
- About 20,000 members of the new Facility Protection Service are guarding more than 240 critical sites.
- The supplemental will support the fielding of a New Iraqi Army – 27 battalions by September 2004. The first battalion of 700 Iraqis graduated from training in early October.

- About \$5 billion of the President's request is to accelerate this early progress and to increase the contributions of the Iraqis to their own security.
- Since the end of July Iraqi participation in security efforts has more than doubled.

America's burdens will also be eased through contributions from other nations. We cannot yet predict how much those contributions will increase, but we expect considerable help. Regarding financial contributions, Japan has just announced that it will provide grant assistance totaling \$1.5 billion for immediate reconstruction needs in Iraq. The United Kingdom has announced its intention to provide \$870 million in grant assistance to Iraq. We expect additional substantial contributions from the upcoming international donor conference.

In addition to contributions of funds, we continue to solicit more international contributions of military forces, which should reduce the strain on Coalition troops. Currently, 32 nations have troops in Iraq. The UK is providing a division-sized element for operations in Southern Iraq. Poland is providing a division headquarters and a brigade. The Spanish, Ukrainians, and Italians are all providing brigades to support the UK and Polish-led divisions. The Netherlands is also providing a large-sized battalion.

As security contributions from the international community and Iraqis increase, the U.S. expects to lower its troop levels significantly. We expect to be able to reduce U.S. military personnel in Iraq from 147,000 now to an average of 113,000 active military personnel in FY 2004. If additional multi-national troops are not contributed, however, we are prepared to call up and deploy four Enhanced Separate Brigades from the U.S. Army National Guard. These forces would provide a prudent hedge against uncertain international commitments. We intend to ensure that the gains made in Iraq are not lost by failing to follow-through on the stability mission.

America's future costs in Iraq should not be minimized nor, however, should they be overstated by omitting or downplaying likely contributions from the Iraqi people and international community. Moreover, our costs in Iraq must be assessed against the consequences of failure. Iraq is now the central battleground in the global war on terrorism. Failure to defeat terrorism there would hurt the entire civilized world and increase the likelihood of direct attacks on America and its citizens. On the positive side, a free and thriving Iraq would be a powerful demonstration that there is an alternative to the hopelessness and hate that fuels international terrorism.

Progress in Afghanistan

The FY 2004 supplemental appropriations request will enable us to continue progress in Afghanistan toward building a peaceful, democratic, and prosperous country that can serve as a partner in the region and as a model for other Muslim states. Examples of our progress include:

Over the past two years, we have provided over \$2 billion in assistance to Afghanistan. As of late September we had 9,800 troops stationed in Afghanistan, (approximately 8,100 active and 1,700 reserves). Thirty-nine countries have contributed some 8,000 troops to Afghanistan. This is a major effort and a top priority for the U.S.

Security. Security and particularly strengthening the role of the central government in the security arena is one of our top priorities. So far, we have trained and partially equipped 10

battalions of the ANA, trained 700 Afghan National Police, helped implement a national communications system, and put in place national police ID card system.

Reconstruction. To help increase commerce, improve security and better integrate the various provinces the international community has begun working to improve the roads in Afghanistan. The U.S. has graded its entire 389-kilometer portion of the ring road between Kabul and Kandahar, deployed security along road construction sites. About 169 kilometers have been paved to date. We have also built 203 schools and 140 health clinics, again to help the central government provide for its people and counter the influence of extremist influences.

We have also begun creation of joint civilian – military Provincial Reconstruction Teams (PRTs) two operated by the U.S. and one each operated by the UK and New Zealand, opened in Mazar-e-Sharif in July. These teams help provide basic services to the Afghan people and increase security in outlying areas.

Democracy/Governance. As you know, Afghanistan is a poor country without many of the institutions necessary for democratic and governance. Its ability to provide basic services to its people is limited after decades of war. The U.S. has contributed \$58 million to the recurrent budget to help in that arena. As the government starts meeting the needs of its people, it helps reduce the influence of the warlords. We have also begun helping Afghanistan prepare for the Constitutional Loya Jirga, and voter registration in the run up to next June's elections.

Sustaining Defense Transformation

President Bush and Secretary of Defense Rumsfeld are determined not to let Operation Iraqi Freedom, Operation Enduring Freedom, and Operation Noble Eagle deflect them from achieving their plans to transform the U.S. military and DoD business processes. Indeed, these operations underscore the importance of DoD transformation.

To transform our military capabilities, the President's budget requested \$24 billion for FY 2004 and projected \$240 billion for FY 2004-2009. The FY 2004 DoD appropriations bill will enable the Department to sustain its transformation agenda, and that is exactly what we intend to do. Transformation is still a top priority, and we intend to maintain that emphasis in the President's budget for FY 2005 and beyond.

One reason we can sustain our transformation efforts is that the President and Congress have supported supplemental appropriations to reconstitute our forces once they return from Iraq or Afghanistan. This reconstitution can include depot maintenance or replacement for systems used intensely during these operations. Sufficient supplemental funding, plus continuing a robust procurement budget, is enabling the Department to sustain its transformation goals in spite of heavy commitments in Iraq and Afghanistan.

Wartime supplemental funding also protects transformation by funding incremental operation and maintenance (O&M) costs, which in the past were covered by cuts in procurement and research and development. The Bush Administration remains resolute in preventing such migration of funds. To that end, we will continue its realistic funding of O&M requirements – both in our annual budgets and in any supplemental appropriations that become necessary.

Other Concerns

In sum, with Congressional support for the President's supplemental appropriations request, the President's commitment to transformation is on track. However, transformation and all other defense priorities could come under intense funding pressure from two very costly entitlements that the Congress is considering.

The first is concurrent receipt of military retirement pay and Veterans Administration disability payments. Section 644 of the Senate's defense authorization bill could cost the U.S. government \$57 billion in mandatory outlays over 10 years. Even if the authorization conference could cut that cost in half by phasing in or adjusting the entitlement, funding it still would have to come at the expense of critical priorities. Moreover, concurrent receipt would certainly not be the best way to spend whatever money one might want to add to help our armed forces and its transformation.

A second new entitlement is TRICARE for reservists. Currently, reservists' health care needs are covered immediately upon mobilization. The health care of their family members is covered under DoD's TRICARE system if the reservist is on active duty for 30 days or more. Now Congress is considering granting TRICARE program eligibility for reservists and their families when they are not on active duty. This new entitlement would cost over \$3 billion per year, be complicated and costly to implement, and threaten higher defense priorities such as transformation and force readiness.

These new entitlements would come at a time when the Department continues to wrestle with rising personnel costs. For example, my colleague Under Secretary David Chu is working hard to control rising health care costs – just as governments and companies across the nation are struggling with such increases. There is no room in our budget for mammoth new entitlements.

Since taking office President Bush and his DoD leadership have demonstrated their commitment to taking good care of our military people and their families. We want to continue to work with Congress on how best to allocate available funding to benefit our military people and their families, while sustaining other national security requirements.

Closing

In closing, I wish to emphasize that the Department of Defense continues to focus intensely on advancing stabilization and recovery in Iraq as rapidly and cost-effectively as possible. The stakes could not be higher. The emergence of an Iraq that protects the rights of its citizens, that represents all of its diverse ethnic and religious groups, that prospers economically for the benefit of all its people – this would be a profoundly important model for the Middle East and for the entire world.

To help the Iraqi people meet this historic challenge, President Bush has pledged America's commitment to stay the course. But America will not shoulder that burden alone, and the cost of failure would be catastrophic. Success will not come cheap, but it is our only viable option, and we will press on until we have completed our mission.